

SB 372

SHORT TITLE:
LOWER BUSINESS EQUIPMENT TAX

SB 372: questions addressed

⦿ Questions this presentation will address:

- What does SB 372 do?
- What is class 8 property?
- How are taxes affected?
- When does it change?
- Who gets a reduction?
- How was it implemented?
- How much does it cost?
- Where are we in the process?

SB 372

What does it do?

SB 372: what does it do?

- ◉ AN ACT REDUCING THE TAXATION
- ◉ FOR A PORTION OF THE TAXABLE MARKET
VALUE OF CLASS EIGHT BUSINESS
EQUIPMENT
- ◉ OWNED BY A TAXPAYER;

SB 372: what does it do?

- ◉ PROVIDING FUTURE TAX REDUCTIONS
- ◉ CONTINGENT ON INCREASES IN STATE COLLECTIONS OF
- ◉ INDIVIDUAL INCOME TAX AND CORPORATION LICENSE TAX;

SB 372: what does it do?

● PROVIDES REIMBURSEMENT TO:

- SCHOOL DISTRICTS
- COUNTY SCHOOL RETIREMENT AND COUNTY TRANSPORTATION
- 6-MILL UNIVERSITY SYSTEM LEVY
- TAX INCREMENT FINANCING DISTRICTS
- LOCAL GOVERNMENTS

SB 372: what does it do?

⦿ Additional Information:

- Includes a tiered rate structure and a future threshold and rate change
- Provides reimbursement from the general fund to local taxing jurisdictions
- Becomes part of the entitlement share program
- Goal was neutral impact on mill levies and local budgets

SB 372

What is class 8 property?

What is class 8 property?

- Class eight property is defined in 15-6-138, MCA
 - In general, class 8 property is machinery, furniture, fixtures, and equipment used for:
 - Agriculture (tractors - combines)
 - Mining (coal haulers – 50 ton truck)
 - Oil and gas production (flow lines - storage tanks)
 - Manufacturing (making sausage, beer, and silicon chips)
 - Special mobile equipment (road construction)
 - Commercial establishments (hotels, gas stations, medical)
 - Doesn't include: \$20k exemption, ethanol manufacturing, canola seed oil processing, barley malting, industrial milk production, and...
space vehicles! 15-6-219(6), MCA

You shall not tax my Enterprise...



What is class 8 property?

- ⦿ How much? (TY2012 – not certified):
 - \$ 6,637,372,036 in class 8 (Market Value)
 - \$76,931,838,377 all classes (Market Value)
 - Class 8 property is about 8% of state property value (8.63%)

SB 372

How does it affect taxation?

How does SB 372 affect taxation?

- ⦿ Class 8 property was taxed at 3%
- ⦿ SB 372 reduced the taxable rate to:
 - 2% for the first \$2M of market value and
 - 3% for market value in excess of \$2M

Then... once the “trigger” is met:

- 1.5% for the first \$3M of market value and
- 3% for the market value in excess of \$3M

How much is the tax reduction?

Maximum tax savings (500 mills):

- $\text{Tax}_{\text{before}} = \$2\text{M} * 3\% = \$60,000 * .5 = \$30,000$

- $\text{Tax}_{\text{after}} = \$2\text{M} * 2\% = \$40,000 * .5 = \$20,000$

- Annual tax difference = $\$30,000 - \$20,000 = \underline{\$10,000}$

- $\text{Tax}_{\text{before}} = \$3\text{M} * 3\% = \$90,000 * .5 = \$45,000$

- $\text{Tax}_{\text{after}} = \$3\text{M} * 1.5\% = \$45,000 * .5 = \$22,500$

- Annual tax difference = $\$45,000 - \$22,500 = \underline{\$22,500}$

SB 372

When does it change?

How does SB 372 provide future tax reductions?

⦿ Introducing: “the trigger”...

- (4)(a) The adjusted taxable market value and rate in subsection (3)(a)(i) apply for class eight property unless in any year beginning with fiscal year 2013 the revenue collected from individual income tax and corporation income tax exceeds the revenue collected from individual income tax and corporation income tax in the previous fiscal year by more than 4%. In that case, for tax years beginning after the next December 31, the taxable market value and rate in subsection (3)(a)(ii) apply.
- Department interprets corporate income tax to be the corporate license tax.

Not to be confused with the Trigger from
bygone years...



The trigger test in FY 2013:

- If Revenue_{FY 2013} is $> (1.04 * \text{Revenue}_{\text{FY 2012}})$, then the “trigger” is met and the new threshold (\$3M) and rate (1.5%) are applicable as of January 1st 2014.

HJR 2 Individual Income and Corp. License Tax "Trigger" Points under SB 372 as Amended (millions \$)

Source of Revenue	Actual	HJR 2		
	FY 2010	FY 2011	FY 2012	FY 2013
Individual Income Tax	\$717.834	\$762.396	\$809.436	\$859.470
Corporation License Tax	\$87.901	\$97.360	\$115.686	\$127.975
Total	\$805.735	\$859.756	\$925.122	\$987.445
Income & Corp. License Tax Growth		6.70%	7.60%	6.74%
SB 372 growth "Trigger" (4% growth)		Yes	Yes	Yes


Unadjusted Fiscal Year 2012 Income and Corporate Tax Revenue

Prepared by:


Paul Christofferson

C:\Documents and Settings\09\Local Settings\Temporary Internet Files\Content.Outlook\4P7M2CXK\2012 GI Date:

7/31/2012



Account	Description	Debit	Credit	Debit	Credit	Total
510101	Withholding Tax		0	734,094,621.86		
510102	Estimated Tax		0	189,494,479.79		
510103	Current Year I/T		0	150,981,153.29		
510104	Prior Years to Income Tax		0	3,211,638.00		
510105	Income Tax - Audit Collections		0	21,083,191.00		
510106	Income Tax Refunds	235,039,316.46		0		
510109	Income Tax-Penalties & Interes		0	6,727,012.00		
510110	Accrual Individual Inc Tax		0	207,836.64		
510111	Pass Thru Entity Tax		0	10,084,680.03		
510482	Mineral Royalty WH Tax		0	18,706,166.24		
Total Income Tax				235,039,316.46	1,134,590,778.85	899,551,462.39
510501	Corporation Tax		0	28,638,105.97		
510502	Corporation Tax Refunds	38,757,328.67		0		
510503	Corporation Tax-Audit Collect.		0	18,115,678.00		
510505	Corporation Tax Estimated Paym		0	110,864,885.73		
510506	Corporation Tax-Interest & Pen		0	9,250,040.00		
510510	Prior Years to Corporation Tax		0	519,668.00		
Total Corporation Tax				38,757,328.67	167,388,377.70	<u>128,631,049.03</u>
Total Income Tax						<u><u>1,028,182,511.42</u></u>



The trigger test in FY 2012

- Fiscal Year 2012 “SB372 trigger revenue” = \$1,028,182,511.42
 - $\$1,028,182,511.42 * 4\% = \$41,127,300.46$
 - $\$1,028,182,511.42 + \$41,127,300.46 =$
 - **\$1,069,309,811.88**

If Fiscal Year 2013 “SB372 trigger revenue” > \$1,069,309,811.88 then, the “trigger” will be met and the new threshold (\$3M) and rate (1.5%) will be applicable as of January 1st 2014.”

SB 372

Who gets a reduction?

Who gets a reduction?

Class 8 property is taxed at 2% for the first \$2M of taxable market value...

...of all Class 8 property (statewide) owned by a taxpayer (person or business entity).

Who gets a reduction?

Intent:

No matter how big or small, complicated or simple a business structure may be, everyone gets exactly one “allocation” of rate reduction.

Similar to Willy Wonka's everlasting gobstopper...



SB 372

How was it implemented?

SB 372

How was it implemented?

Part one: Roll-up / Distribution

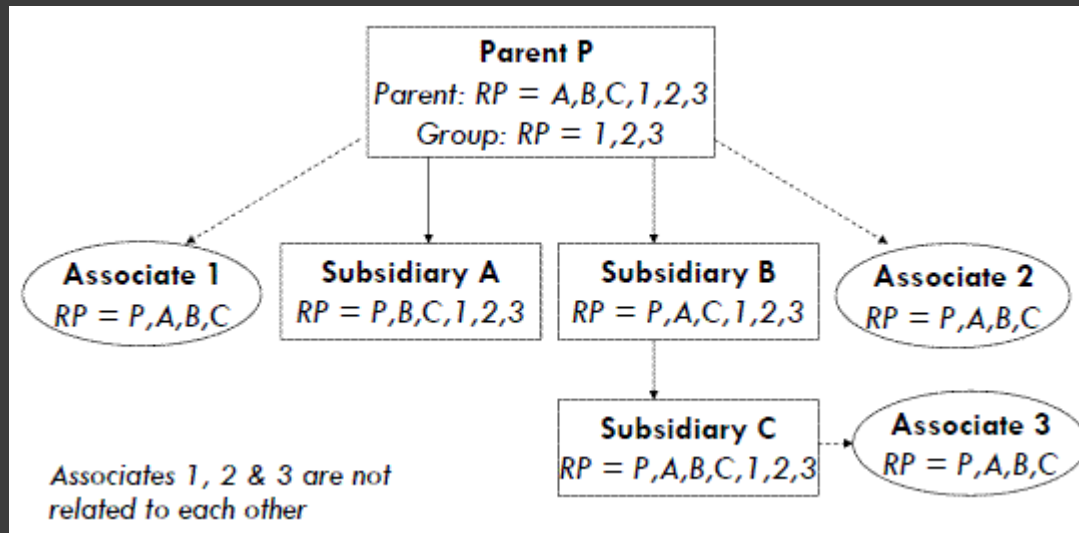
How do we roll up property?

We ask people to report their property.

- MCA: 15-8-301(1) Statement -- what to contain.
 - (1) The department may require from a person a statement under oath setting forth specifically all the real and personal property owned by, in possession of, or under the control of the person at midnight on January 1.

The roll-up idea

All interrelated entities are asked to report their personal property with their parent entity. As an example:



The roll-up example:

Jerome's Businesses	Location	FEIN	Class 8	Under Threshold	Under Threshold	Under Threshold	Over Threshold	Under Threshold	Over Threshold	Under Threshold	Over Threshold	Total
			Market Value	Market Value	Weight	Market Value	Market Value	Rate 2%	Rate 3%	Taxable Value	Taxable Value	Taxable Value
Jerome's Java	Great Falls	12345	250,000			50,000	200,000	2%	3%	1,000	6,000	7,000
Jerome's Heavy Equipment	Helena	12345	2,750,000			550,000	2,200,000	2%	3%	11,000	66,000	77,000
Jerome's Smelter	Billings	12345	7,000,000			1,400,000	5,600,000	2%	3%	28,000	168,000	196,000
Total (the roll-up)		12345	10,000,000	2,000,000	20%	2,000,000	8,000,000			40,000	240,000	280,000

The roll-up:

Businesses are “rolled up” as follows:


Jerome's Businesses	Location	FEIN	Class 8	Under Threshold	Under Threshold	Under Threshold	Over Threshold	Under Threshold	Over Threshold	Under Threshold	Over Threshold	Total
			Market Value	Market Value	Weight	Market Value	Market Value	Rate 2%	Rate 3%	Taxable Value	Taxable Value	Taxable Value
Jerome's Java	Great Falls	12345	250,000			50,000	200,000	2%	3%	1,000	6,000	7,000
Jerome's Heavy Equipment	Helena	12345	2,750,000			550,000	2,200,000	2%	3%	11,000	66,000	77,000
Jerome's Smelter	Billings	12345	7,000,000			1,400,000	5,600,000	2%	3%	28,000	168,000	196,000
Total (the roll-up)		12345	10,000,000	2,000,000	20%	2,000,000	8,000,000			40,000	240,000	280,000



The roll-up:

Associated property market value is added together (aggregated)

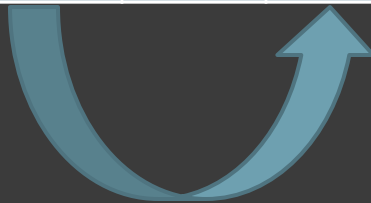
Jerome's Businesses	Location	FEIN	Class 8	Under Threshold	Under Threshold	Under Threshold	Over Threshold	Under Threshold	Over Threshold	Under Threshold	Over Threshold	Total
			Market Value	Market Value	Weight	Market Value	Market Value	Rate 2%	Rate 3%	Taxable Value	Taxable Value	Taxable Value
Jerome's Java	Great Falls	12345	250,000			50,000	200,000	2%	3%	1,000	6,000	7,000
Jerome's Heavy Equipment	Helena	12345	2,750,000			550,000	2,200,000	2%	3%	11,000	66,000	77,000
Jerome's Smelter	Billings	12345	7,000,000			1,400,000	5,600,000	2%	3%	28,000	168,000	196,000
Total (the roll-up)		12345	10,000,000	2,000,000	20%	2,000,000	8,000,000			40,000	240,000	280,000



The roll-up:

The person's proportion of under threshold market value to total market value is determined = \$2M / \$10M = 20%. This is the "weight".


Jerome's Businesses	Location	FEIN	Class 8	Under Threshold	Under Threshold	Under Threshold	Over Threshold	Under Threshold	Over Threshold	Under Threshold	Over Threshold	Total
			Market Value	Market Value	Weight	Market Value	Market Value	Rate 2%	Rate 3%	Taxable Value	Taxable Value	Taxable Value
Jerome's Java	Great Falls	12345	250,000			50,000	200,000	2%	3%	1,000	6,000	7,000
Jerome's Heavy Equipment	Helena	12345	2,750,000			550,000	2,200,000	2%	3%	11,000	66,000	77,000
Jerome's Smelter	Billings	12345	7,000,000			1,400,000	5,600,000	2%	3%	28,000	168,000	196,000
Total (the roll-up)		12345	10,000,000	2,000,000	20%	2,000,000	8,000,000			40,000	240,000	280,000



The distribution:

The person's weight is multiplied to all its properties' market value to determine the "under threshold market value" for each property.

Jerome's Businesses	Location	FEIN	Class 8	Under Threshold	Under Threshold	Under Threshold	Over Threshold	Under Threshold	Over Threshold	Under Threshold	Over Threshold	Total
			Market Value	Market Value	Weight	Market Value	Market Value	Rate 2%	Rate 3%	Taxable Value	Taxable Value	Taxable Value
Jerome's Java	Great Falls	12345	250,000			50,000	200,000	2%	3%	1,000	6,000	7,000
Jerome's Heavy Equipment	Helena	12345	2,750,000			550,000	2,200,000	2%	3%	11,000	66,000	77,000
Jerome's Smelter	Billings	12345	7,000,000			1,400,000	5,600,000	2%	3%	28,000	168,000	196,000
Total (the roll-up)		12345	10,000,000	2,000,000	20%	2,000,000	8,000,000			40,000	240,000	280,000



This method distributes the benefit of the reduced tax rate between all the person's property in different locations.

The distribution:

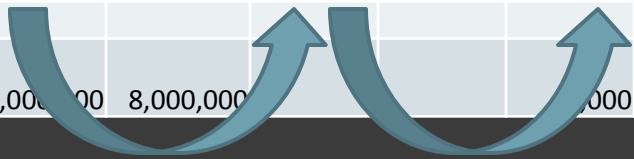
The “over threshold market value” is calculated by subtracting the individual property’s market value by the “under threshold market value”

Jerome's Businesses	Location	FEIN	Class 8	Under Threshold	Under Threshold	Under Threshold	Over Threshold	Under Threshold	Over Threshold	Under Threshold	Over Threshold	Total
			Market Value	Market Value	Weight	Market Value	Market Value	Rate 2%	Rate 3%	Taxable Value	Taxable Value	Taxable Value
Jerome's Java	Great Falls	12345	250,000			50,000	200,000	2%	3%	1,000	6,000	7,000
Jerome's Heavy Equipment	Helena	12345	2,750,000			550,000	2,200,000	2%	3%	11,000	66,000	77,000
Jerome's Smelter	Billings	12345	7,000,000			1,400,000	5,600,000	2%	3%	28,000	168,000	196,000
Total (the roll-up)		12345	10,000,000	2,000,000	20%	2,000,000	8,000,000			40,000	240,000	280,000

The distribution:

For each property, under threshold market value is multiplied by the under threshold rate to get the under threshold taxable value.


Jerome's Businesses	Location	FEIN	Class 8	Under Threshold	Under Threshold	Under Threshold	Over Threshold	Under Threshold	Over Threshold	Under Threshold	Over Threshold	Total
			Market Value	Market Value	Weight	Market Value	Market Value	Rate 2%	Rate 3%	Taxable Value	Taxable Value	Taxable Value
Jerome's Java	Great Falls	12345	250,000			50,000	200,000	2%	3%	1,000	6,000	7,000
Jerome's Heavy Equipment	Helena	12345	2,750,000			550,000	2,200,000	2%	3%	11,000	66,000	77,000
Jerome's Smelter	Billings	12345	7,000,000			1,400,000	5,600,000	2%	3%	28,000	168,000	196,000
Total (the roll-up)		12345	10,000,000	2,000,000	20%	2,000,000	8,000,000			20,000	240,000	280,000



The distribution:

For each property, over threshold market value is multiplied by the over threshold rate to get the over threshold taxable value.

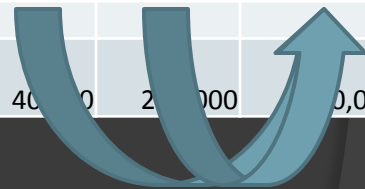
Jerome's Businesses	Location	FEIN	Class 8	Under Threshold	Under Threshold	Under Threshold	Over Threshold	Under Threshold	Over Threshold	Under Threshold	Over Threshold	Total
			Market Value	Market Value	Weight	Market Value	Market Value	Rate 2%	Rate 3%	Taxable Value	Taxable Value	Taxable Value
Jerome's Java	Great Falls	12345	250,000			50,000	200,000	2%	3%	1,000	6,000	7,000
Jerome's Heavy Equipment	Helena	12345	2,750,000			550,000	2,200,000	2%	3%	11,000	66,000	77,000
Jerome's Smelter	Billings	12345	7,000,000			1,400,000	5,600,000	2%	3%	28,000	168,000	196,000
Total (the roll-up)		12345	10,000,000	2,000,000	20%	2,000,000	8,000,000			40,000	200,000	280,000



The distribution:

For each property, the under threshold and over threshold taxable values are added together to get each property's total taxable value.

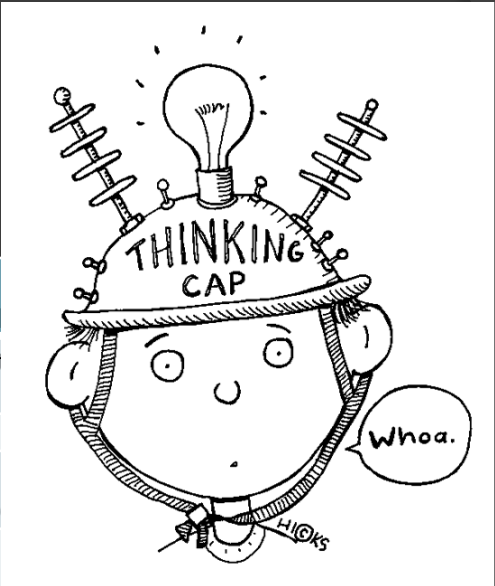
Jerome's Businesses	Location	FEIN	Class 8	Under Threshold	Under Threshold	Under Threshold	Over Threshold	Under Threshold	Over Threshold	Under Threshold	Over Threshold	Total
			Market Value	Market Value	Weight	Market Value	Market Value	Rate 2%	Rate 3%	Taxable Value	Taxable Value	Taxable Value
Jerome's Java	Great Falls	12345	250,000			50,000	200,000	2%	3%	1,000	6,000	7,000
Jerome's Heavy Equipment	Helena	12345	2,750,000			550,000	2,200,000	2%	3%	11,000	66,000	77,000
Jerome's Smelter	Billings	12345	7,000,000			1,400,000	5,600,000	2%	3%	28,000	168,000	196,000
Total (the roll-up)		12345	10,000,000	2,000,000	20%	2,000,000	8,000,000			40,000	200,000	240,000



Summary:

A quick recap: roll-up and distribution.

Jerome's Businesses	Location	FEIN	Class 8	Under Threshold	Under Threshold	Under Threshold	Over Thresho		er hold	Total
			Market Value	Market Value	Weight	Market Value	Market Value		ble ue	Taxable Value
Jerome's Java	Great Falls	12345				50,000	200,0			
Jerome's Heavy Equipment	Helena	12345	2,750,000			550,000	2,200,000	2%	3%	11,000
Jerome's Smelter	Billings	12345				1,400,000	5,600,000	2%	3%	28,000
Total (the roll-up)		12345			20%	2,000,000	8,000,000			



Data on the data

● In 2012 (Precertification):

- \$6,637,372,036 in Class 8 TMV
- \$2,858,272,315 in under threshold MV
 - $\$2,858,272,315 / \$6,637,372,036 = 43\%$
 - 43% of MV is under threshold

SB 372

How was it implemented?

Part two: Reimbursement / Payment

The reimbursement

Reimbursing taxing jurisdictions for their tax loss

Jerome's Businesses	Location	FEIN	Class 8 Market Value	Under Threshold Market Value	Under Threshold Weight	Under Threshold Market Value	Over Threshold Market Value	Under Threshold Rate 2%	Over Threshold Rate 3%	Under Threshold Taxable Value	Over Threshold Taxable Value	Total Taxable Value
Jerome's Java	Great Falls	12345	250,000			50,000	200,000	2%	3%	1,000	6,000	7,000
Jerome's Heavy Equipment	Helena	12345	2,750,000			550,000	2,200,000	2%	3%	11,000	66,000	77,000
Jerome's Smelter	Billings	12345	7,000,000			1,400,000	5,600,000	2%	3%	28,000	168,000	196,000
Total (the roll-up)		12345	10,000,000	2,000,000	20%	2,000,000	8,000,000			40,000	240,000	280,000

The reimbursement

What about taxes and reimbursing taxing jurisdictions for their tax loss?

◎ Recall:

- Taxes = taxable value * mills
- Reimbursement = the amount of taxes a taxing jurisdiction does not receive due to SB 372. (15-1-123, MCA)

The reimbursement

Recall, each property has a different taxable value...

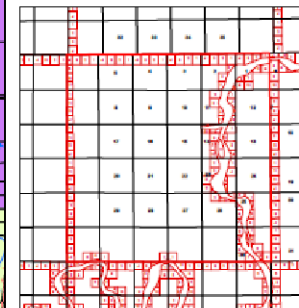
Jerome's Businesses	Location	FEIN	Class 8	Under Threshold	Under Threshold	Under Threshold	Over Threshold	Under Threshold	Over Threshold	Under Threshold	Over Threshold	Total
			Market Value	Market Value	Weight	Market Value	Market Value	Rate 2%	Rate 3%	Taxable Value	Taxable Value	Taxable Value
Jerome's Java	Great Falls	12345	250,000			50,000	200,000	2%	3%	1,000	6,000	7,000
Jerome's Heavy Equipment	Helena	12345	2,750,000			550,000	2,200,000	2%	3%	11,000	66,000	77,000
Jerome's Smelter	Billings	12345	7,000,000			1,400,000	5,600,000	2%	3%	28,000	168,000	196,000
Total (the roll-up)		12345	10,000,000	2,000,000	20%	2,000,000	8,000,000			40,000	240,000	280,000

The reimbursement

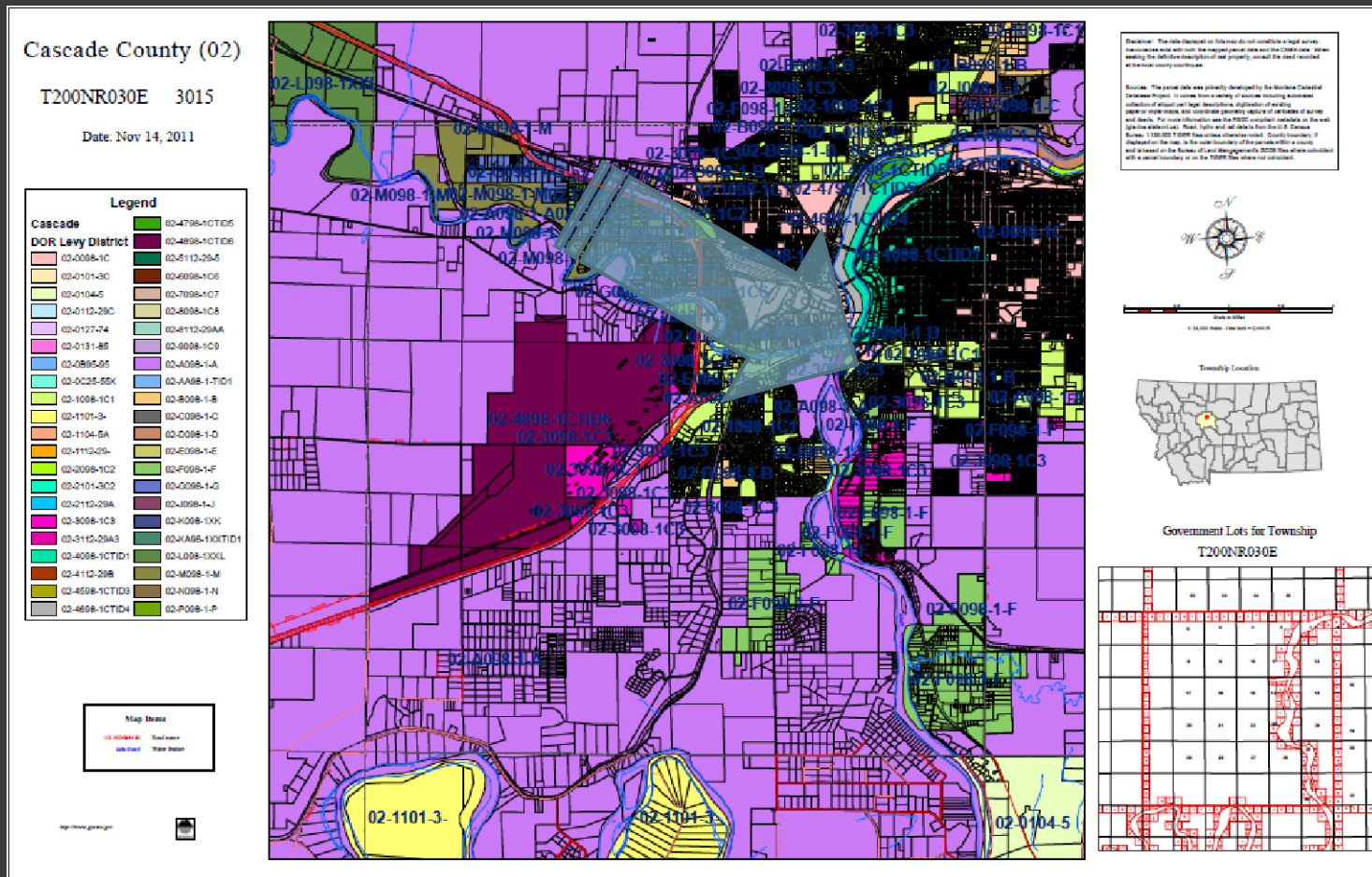
and each property is located in a different location with different taxing jurisdictions and millage rates...

Jerome's Businesses	Location	FEIN	Class 8	Under Threshold	Under Threshold	Under Threshold	Over Threshold	Under Threshold	Over Threshold	Under Threshold	Over Threshold	Total
			Market Value	Market Value	Weight	Market Value	Market Value	Rate 2%	Rate 3%	Taxable Value	Taxable Value	Taxable Value
Jerome's Java	Great Falls	12345	250,000			50,000	200,000	2%	3%	1,000	6,000	7,000
Jerome's Heavy Equipment	Helena	12345	2,750,000			550,000	2,200,000	2%	3%	11,000	66,000	77,000
Jerome's Smelter	Billings	12345	7,000,000			1,400,000	5,600,000	2%	3%	28,000	168,000	196,000
Total (the roll-up)		12345	10,000,000	2,000,000	20%	2,000,000	8,000,000			40,000	240,000	280,000

and where taxing jurisdictions overlap, levy districts are formed. For example, here is a levy district map of Great Falls.



and Jerome's Java has property here...



The reimbursement

and here is a levy district map of Helena... and Jerome's Heavy Equipment has property here...

Lewis & Clark County (5)

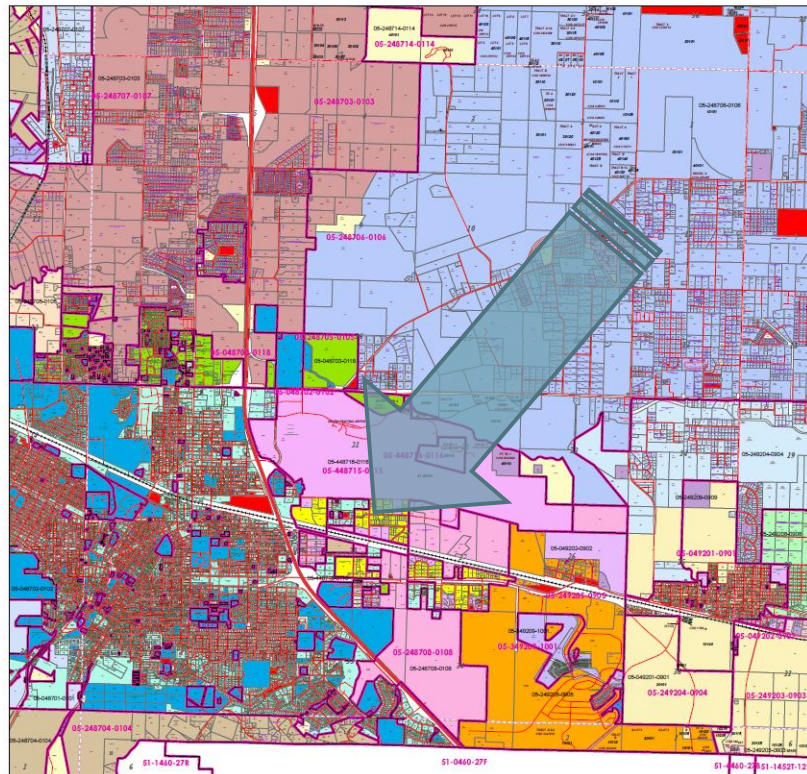
T100NR030W (1888)

Date: 2/24/2012

Legend

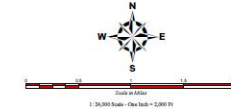
Orion Levy Districts

- 05-048701-0101
 - 05-048702-0102
 - 05-048703-0118
 - 05-048801-0201
 - 05-048803-0203
 - 05-048804-0204
 - 05-048907-0207
 - 05-048908-0208
 - 05-048101-0401
 - 05-048102-0402
 - 05-048103-0403
 - 05-048105-0405
 - 05-048106-0406
 - 05-048107-0407
 - 05-048108-0408
 - 05-048201-0901
 - 05-048202-0902
 - 05-048201-1301
 - 05-048202-1302
 - 05-048203-1303
 - 05-048904-1304
 - 05-048905-1305
 - 05-048901-1701
 - 05-048902-1702
 - 05-050101-3801
 - 05-050102-3802
 - 05-050201-4801
 - 05-050202-4802
 - 05-050204-4804
 - 05-050207-4807
 - 05-048703-0103
 - 05-048704-0104
 - 05-048705-0105
 - 05-048706-0106
 - 05-048707-0107
 - 05-048708-0108
 - 05-048714-0114
 - 05-048715-0115
 - 05-048809-0209
 - 05-048810-0210
 - 05-048203-0903
 - 05-048204-0904
 - 05-048205-0905
 - 05-048208-0908
 - 05-048209-0909
 - 05-048209-1001
 - 05-048715-0115
 - 05-048716-0116
 - No Own Value
 - County Boundary
 - Township Boundary
- #### Road Types
- CITY/COUNTY: URBAN
 - NHS INTERSTATE
 - NHS NON-INTERSTATE: PRIMARY
 - SECONDARY
 - USFS
 - Road



Disclaimer: The data displayed on this map does not constitute a legal survey. It is provided for informational purposes only and should not be used for legal or financial purposes. The data is subject to change without notice.

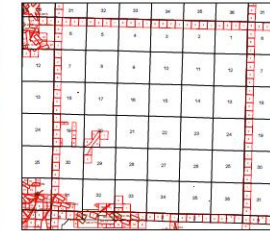
Notes: The parcel data was primarily generated by the National Aerial Photography Program. It is based on a series of aerial photographs taken in 1994. The data is subject to change without notice. The data is provided for informational purposes only and should not be used for legal or financial purposes.



Township Location



Government Lots for Township T100NR030W



http://data.mt.gov



The reimbursement

and here is a levy district map of Billings... and Jerome's Smelter has property here.

Yellowstone County (3)

T1N 26E

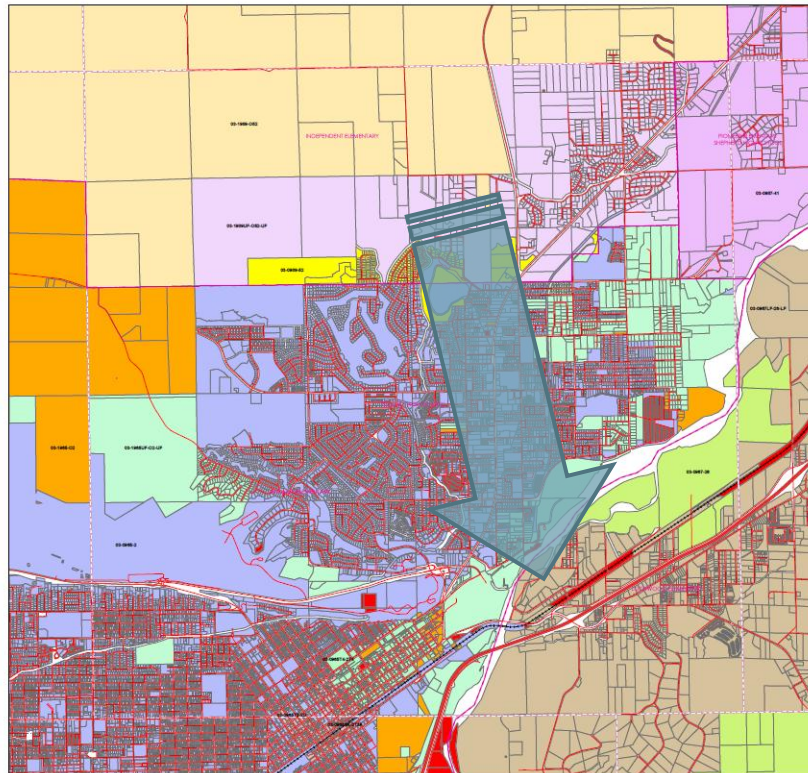
Date: 2/24/2012

Legend

ORION LEVY DISTRICTS

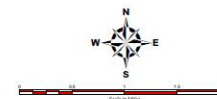
No Orion Value

- 03-0652-12
- 03-0656-2
- 03-0653A-273A
- 03-0657-2U
- 03-0657-2T4
- 03-0657-2T5
- 03-0657-26
- 03-0657-26-LF
- 03-0659-3
- 03-0659-LF-3-LF
- 03-0659-LF-3-UP
- 03-0659-4
- 03-0659-LF-4-LF
- 03-0670-7
- 03-0670-7T1
- 03-0672-8
- 03-0672-LF-8-LF
- 03-0674-15
- 03-0676-17
- 03-0676-LF-17-LF
- 03-0676-21
- 03-0681-23
- 03-0681T5-23T5
- 03-0682-24
- 03-0682-LF-24-LF
- 03-0685-37
- 03-0687-41
- 03-0689-52
- 03-0689-58
- 03-1965-02
- 03-1965-LF-02-LF
- 03-1965-30
- 03-1970-07
- 03-1970-LF-07-LF
- 03-1972-8C
- 03-1974-15A
- 03-1978-021
- 03-1981-023
- 03-1981-LF-023-LF
- 03-1982-04A
- 03-1989-052
- 03-1989-LF-052-LF
- 03-2570-07L
- 03-4970-7D
- 03-4970-7DL
- Banking Service Center School District Boundary
- County Boundary
- Township Boundary
- Road Types
 - CITY-COUNTY, URBAN
 - NHD INTERSTATE
 - NHD NON-INTERSTATE, PRIMARY
 - SECONDARY
 - Railroad



Disclaimer: The data displayed on this map does not constitute a legal survey. Information herein will not be required for any other purpose, other than being the official record of the property, and the data is not to be used for any other purpose.

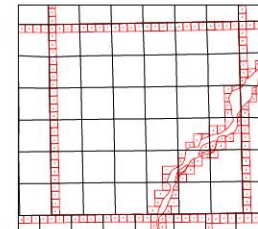
Source: The parcel data was primarily obtained by the Montana Department of Transportation, which is a source of accurate, reliable, and current information. The data is not to be used for any other purpose, other than being the official record of the property, and the data is not to be used for any other purpose.



Township Location



Government Lots for Township T1N 26E



<http://data.mt.gov/>



The reimbursement

Let's remove some unnecessary information and look at taxes

Jerome's Businesses	Location	FEIN	Class 8	Under Threshold	Under Threshold	Under Threshold	Over Threshold	Under Threshold	Over Threshold	Under Threshold	Over Threshold	Total
			Market Value	Market Value	Weight	Market Value	Market Value	Rate 2%	Rate 3%	Taxable Value	Taxable Value	Taxable Value
Jerome's Java	Great Falls	12345	250,000			50,000	200,000	2%	3%	1,000	6,000	7,000
Jerome's Heavy Equipment	Helena	12345	2,750,000			550,000	2,200,000	2%	3%	11,000	66,000	77,000
Jerome's Smelter	Billings	12345	7,000,000			1,400,000	5,600,000	2%	3%	28,000	168,000	196,000
Total (the roll-up)		12345	10,000,000	2,000,000	20%	2,000,000	8,000,000			40,000	240,000	280,000

The reimbursement


Recall: each property has a total taxable value

Jerome's Businesses	Location	Total
		Taxable Value
Jerome's Java	Great Falls	7,000
Jerome's Heavy Equipment	Helena	77,000
Jerome's Smelter	Billings	196,000
Total (the roll-up)		280,000

The reimbursement

Recall: total taxable value times total millage rates equals total taxes

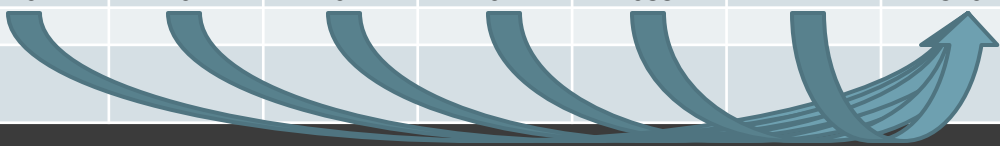
Jerome's Businesses	Location	Total	Total Mills	Jerome's Taxes
		Taxable Value		
Jerome's Java	Great Falls	7,000	.714	5,000
Jerome's Heavy Equipment	Helena	77,000	.584	45,000
Jerome's Smelter	Billings	196,000	.510	100,000
Total (the roll-up)		280,000		150,000



The reimbursement

And total mills are made up of each district's mills

Jerome's Businesses	Location	Total	Taxing Jurisdiction Mills	Taxing Jurisdiction Mills	Taxing Jurisdiction Mills	Taxing Jurisdiction Mills	Taxing Jurisdiction Mills	Taxing Jurisdiction Mills	Total Mills	Jerome's Taxes
		Taxable Value	Great Falls	Great Falls	Helena	Helena	Billings	Billings		
Jerome's Java	Great Falls	7,000	.523	.191	0	0	0	0	.714	5,000
Jerome's Heavy Equipment	Helena	77,000	0	0	.372	.212	0	0	.584	45,000
Jerome's Smelter	Billings	196,000	0	0	0	0	.083	.427	.510	100,000
Total (the roll-up)		280,000								150,000



(In this example, there are only two taxing jurisdictions per location.)

The reimbursement

The reimbursement is based on the difference between the “old” rate and the “new” threshold rate...

- Old rate = 3% for all market value
- New rate = 2% for the first \$2M of market value
- Difference in rate = 3% - 2% = 1%

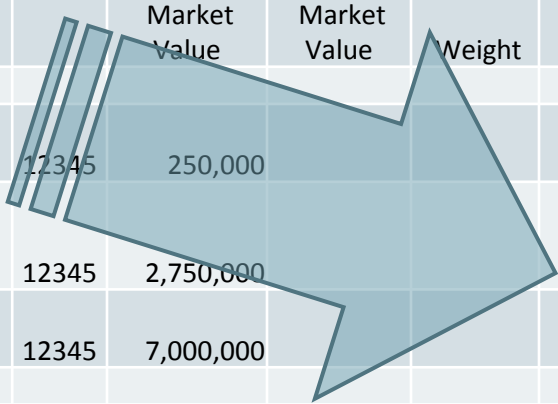
Jerome's Businesses	Location	FEIN	Class 8	Under Threshold	Under Threshold	Under Threshold	Over Threshold	Under Threshold	Over Threshold	Under Threshold	Over Threshold	Total
			Market Value	Market Value	Weight	Market Value	Market Value	Rate 2%	Rate 3%	Taxable Value	Taxable Value	Taxable Value
Jerome's Java	Great Falls	12345	250,000			50,000	200,000	2%	3%	1,000	6,000	7,000
Jerome's Heavy Equipment	Helena	12345	2,750,000			550,000	2,200,000	2%	3%	11,000	66,000	77,000
Jerome's Smelter	Billings	12345	7,000,000			1,400,000	5,600,000	2%	3%	28,000	168,000	196,000
Total (the roll-up)		12345	10,000,000	2,000,000	20%	2,000,000	8,000,000			40,000	240,000	280,000

The reimbursement

and the “new” rate is applicable to the (disaggregated) first \$2M of market value, which is the under threshold market value for each property ...

- ◉ The first \$2M of market value = amount under threshold for each piece of property

Jerome's Businesses	Location	FEIN	Class 8 Market Value	Under Threshold Market Value	Under Threshold Weight	Under Threshold Market Value	Over Threshold Market Value	Under Threshold Rate 2%	Over Threshold Rate 3%	Under Threshold Taxable Value	Over Threshold Taxable Value	Total Taxable Value
Jerome's Java	Great Falls	12345	250,000			50,000	200,000	2%	3%	1,000	6,000	7,000
Jerome's Heavy Equipment	Helena	12345	2,750,000			550,000	2,200,000	2%	3%	11,000	66,000	77,000
Jerome's Smelter	Billings	12345	7,000,000			1,400,000	5,600,000	2%	3%	28,000	168,000	196,000
Total (the roll-up)		12345	10,000,000	2,000,000	20%	2,000,000	8,000,000			40,000	240,000	280,000



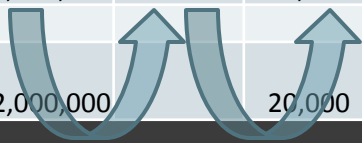
and each taxing jurisdiction has its own millage rate.

Jerome's Businesses	Location	Total	Taxing Jurisdiction Mills	Taxing Jurisdiction Mills	Taxing Jurisdiction Mills	Taxing Jurisdiction Mills	Taxing Jurisdiction Mills	Taxing Jurisdiction Mills	Total Mills	Jerome's Taxes
		Taxable Value	Great Falls	Great Falls	Helena	Helena	Billings	Billings		
Jerome's Java	Great Falls	7,000	.523	.191	0	0	0	0	.714	5,000
Jerome's Heavy Equipment	Helena	77,000	0	0	.372	.212	0	0	.584	45,000
Jerome's Smelter	Billings	196,000	0	0	0	0	.083	.427	.510	100,000
Total (the roll-up)		280,000								150,000

The backfill payment

The reimbursement taxable value is the market value multiplied by the difference in tax rate.

Jerome's Businesses	Location	Under Threshold	Difference in Tax Rate	Reimbursement	Taxing District Mills	Taxing District Mills	Taxing District Mills	Taxing District Mills	Taxing District Mills	Taxing District Mills	Total Mills
		Market Value		Taxable Value	Great Falls	Great Falls	Helena	Helena	Billings	Billings	
Jerome's Java	Great Falls	50,000	1%	500	.523	.191	0	0	0	0	.714
Jerome's Heavy Equipment	Helena	550,000	1%	5,500	0	0	.372	.212	0	0	.584
Jerome's Smelter	Billings	1,400,000	1%	14,000	0	0	0	0	.083	.427	.510
Total		2,000,000		20,000							



The backfill payment

The reimbursement (for each property) is the reimbursement taxable value multiplied by the taxing district's mills.

Jerome's Businesses	Location	Under Threshold	Difference in Tax Rate	Reimbursement	Taxing District Mills	Taxing District Mills	Taxing District Mills	Taxing District Mills	Taxing District Mills	Taxing District Mills	Total Mills
		Market Value		Taxable Value	Great Falls	Great Falls	Helena	Helena	Billings	Billings	
Jerome's Java	Great Falls	50,000	1%	500	.523	.191	0	0	0	0	.714
Jerome's Heavy Equipment	Helena	550,000	1%	5,500	0	0	.372	.212	0	0	.584
Jerome's Smelter	Billings	1,400,000	1%	14,000	0	0	0	0	.083	.427	.510
Total		2,000,000		20,000	261.50						

The backfill payment

For all districts and all property.

Jerome's Businesses	Location	Under Threshold	Difference in Tax Rate	Reimburs ement	Taxing District Mills	Taxing District Mills	Taxing District Mills	Taxing District Mills	Taxing District Mills	Taxing District Mills	Total Mills
		Market Value		Taxable Value	Great Falls	Great Falls	Helena	Helena	Billings	Billings	
Jerome's Java	Great Falls	50,000	1%	500	.523	.191	0	0	0	0	.714
Jerome's Heavy Equipment	Helena	550,000	1%	5,500	0	0	.372	.212	0	0	.584
Jerome's Smelter	Billings	1,400,000	1%	14,000	0	0	0	0	.083	.427	.510
Total		2,000,000		20,000	261.50	95.64					

The diagram illustrates the backfill payment process. A curved arrow originates from the 'Taxing District Mills' column for Great Falls (0.191) and points to the 'Taxing District Mills' column for Helena (0.372). Another curved arrow originates from the 'Taxing District Mills' column for Great Falls (0.191) and points to the 'Taxing District Mills' column for Billings (0.427). This indicates that the backfill payment is calculated based on the difference in tax rates between the property's location and the district's rate.

The backfill payment

For all districts and all property.

Jerome's Businesses	Location	Under Threshold	Difference in Tax Rate	Reimburse- ment	Taxing District Mills	Taxing District Mills	Taxing District Mills	Taxing District Mills	Taxing District Mills	Taxing District Mills	Total Mills
		Market Value		Taxable Value	Great Falls	Great Falls	Helena	Helena	Billings	Billings	
Jerome's Java	Great Falls	50,000	1%	500	.523	.191	0	0	0	0	.714
Jerome's Heavy Equipment	Helena	550,000	1%	5,500	0	0	.372	.212	0	0	.584
Jerome's Smelter	Billings	1,400,000	1%	14,000	0	0	0	0	.083	.427	.510
Total		2,000,000		20,000	261.50	95.64	2,048.29				

The diagram illustrates the backfill payment process. It features three curved arrows: one from the 'Reimbursement' column of the 'Jerome's Java' row to the 'Reimbursement' column of the 'Total' row; another from the 'Helena' column of the 'Jerome's Heavy Equipment' row to the 'Helena' column of the 'Total' row; and a third from the 'Billings' column of the 'Jerome's Smelter' row to the 'Billings' column of the 'Total' row.

The backfill payment

For all districts and all property.

Jerome's Businesses	Location	Under Threshold	Difference in Tax Rate	Reimburse- ment	Taxing District Mills	Taxing District Mills	Taxing District Mills	Taxing District Mills	Taxing District Mills	Taxing District Mills	Total Mills
		Market Value		Taxable Value	Great Falls	Great Falls	Helena	Helena	Billings	Billings	
Jerome's Java	Great Falls	50,000	1%	500	.523	.191	0	0	0	0	.714
Jerome's Heavy Equipment	Helena	550,000	1%	5,500	0	0	.372	.212	0	0	.584
Jerome's Smelter	Billings	1,400,000	1%	14,000	0	0	0	0	.083	.427	.510
Total		2,000,000		20,000	261.50	95.64	2,048.29	1,166			

The diagram illustrates the backfill payment process. It features three curved arrows: one from the 'Great Falls' column of the 'Jerome's Java' row to the 'Great Falls' column of the 'Total' row; another from the 'Helena' column of the 'Jerome's Heavy Equipment' row to the 'Helena' column of the 'Total' row; and a third from the 'Billings' column of the 'Jerome's Smelter' row to the 'Billings' column of the 'Total' row. These arrows represent the flow of backfill payments from individual property owners to the total district millage rate.

The backfill payment

For all districts and all property.

Jerome's Businesses	Location	Under Threshold	Difference in Tax Rate	Reimburse- ment	Taxing District Mills	Taxing District Mills	Taxing District Mills	Taxing District Mills	Taxing District Mills	Taxing District Mills	Total Mills
		Market Value		Taxable Value	Great Falls	Great Falls	Helena	Helena	Billings	Billings	
Jerome's Java	Great Falls	50,000	1%	500	.523	.191	0	0	0	0	.714
Jerome's Heavy Equipment	Helena	550,000	1%	5,500	0	0	.372	.212	0	0	.584
Jerome's Smelter	Billings	1,400,000	1%	14,000	0	0	0	0	.083	.427	.510
Total		2,000,000		20,000	261.50	95.64	2,048.29	1,166.00	1164.86		

The backfill payment

For all districts and all property.

Jerome's Businesses	Location	Under Threshold	Difference in Tax Rate	Reimburse- ment	Taxing District Mills	Taxing District Mills	Taxing District Mills	Taxing District Mills	Taxing District Mills	Taxing District Mills	Total Mills
		Market Value		Taxable Value	Great Falls	Great Falls	Helena	Helena	Billings	Billings	
Jerome's Java	Great Falls	50,000	1%	500	.523	.191	0	0	0	0	.714
Jerome's Heavy Equipment	Helena	550,000	1%	5,500	0	0	.372	.212	0	0	.584
Jerome's Smelter	Billings	1,400,000	1%	14,000	0	0	0	0	.083	.427	.510
Total		2,000,000		20,000	261.50	95.64	2,048.29	1,166.00	1164.86	5,978.00	

The backfill payment

- ◎ The reimbursement for each taxing jurisdiction is the difference in the tax rate multiplied by all the under threshold market value in a district multiplied by the district's millage rate:
 - $\text{Reimbursement} = 1\% * \text{the under threshold market value} * \text{millage rate}$

Data on the data

⦿ In 2012:

- About 1,401 taxing units (jurisdictions)
- 56 counties
 - $1,401 / 56 = 25$ per county (average)

Department of Revenue Website (click Local Government button)



The screenshot shows the Montana Department of Revenue website. At the top is the 'mt.gov' logo and a navigation bar with links: Home, About Us, Individuals, Businesses, Forms & Resources, Publications, and Committees. Below the navigation bar is a search box with the text 'Google™ Custom Search' and a 'Search' button. On the left side, there is a 'Search' section with an 'A-Z Index' and a 'Jump To' section. The 'Jump To' section lists several links: Tax Season Updates, Where's My Refund, E-file a Tax Return, Make Online Payment, Place Liquor Order, What's New, Scam Alerts, Jobs at DOR, Legal Resources, Media Links, and Contact Us. Below the 'Jump To' section is a 'Connect With Us' section with icons for Twitter, YouTube, and RSS, and a link to 'View Our Messages in Plain Text Format'. The main content area features a 'TAXPAYER ACCESS POINT (TAP)' section with the text 'Easily Manage Your Montana Taxes, Payments, Accounts + More Online.' Below this is a '2012 Draft Income Tax Forms' link and an 'IMPORTANT INFORMATION FOR PROPERTY OWNERS IMPACTED BY WILDFIRES' link. The main content area also features a grid of nine buttons: Online Services, Individuals, Businesses, Tax Professionals, Liquor Control, Property Owners, Local Government, Fiduciaries, and Legislators and Public. A large blue arrow points to the 'Local Government' button. At the bottom of the page, there is a footer with the text 'Last updated 9/6/2012 5:01:56 PM' and a navigation bar with links: Home, About Us, Businesses, Forms & Resources, Publications, Committees, Privacy & Security, Accessibility, A-Z Index, and Contact Us. The 'mt.gov' logo is also present in the footer.

mt.gov
Montana's Official State Website

MONTANA DEPARTMENT OF REVENUE

Home | About Us | Individuals | Businesses | Forms & Resources | Publications | Committees

Google™ Custom Search Search

Search

A-Z Index

Jump To

Tax Season Updates
Where's My Refund
E-file a Tax Return
Make Online Payment
Place Liquor Order
What's New
Scam Alerts
Jobs at DOR
Legal Resources
Media Links
Contact Us

Connect With Us

View Our Messages in Plain Text Format

TAXPAYER ACCESS POINT (TAP)
Easily Manage Your Montana Taxes, Payments, Accounts + More Online.

 [2012 Draft Income Tax Forms](#)

 **IMPORTANT INFORMATION FOR PROPERTY OWNERS IMPACTED BY WILDFIRES.**

Online Services

Individuals

Businesses

Tax Professionals

Liquor Control

Property Owners

Local Government

Fiduciaries

Legislators and Public

Last updated 9/6/2012 5:01:56 PM

Businesses | Forms & Resources | Publications | Committees
Privacy & Security | Accessibility | A-Z Index | Contact Us

mt.gov
Montana's Official State Website

Department of Revenue Website (click Entitlement Share payments)



The screenshot shows the Montana Department of Revenue website. At the top is the 'mt.gov' logo with the tagline 'Montana's Official State Website'. Below this is a green navigation bar with links: Home, About Us, Individuals, Businesses, Forms & Resources, Publications, and Committees. The main content area has a breadcrumb trail: Home » Committees » Local Government. Below this is the section header 'Local Government'. A list of links follows: Local Government Inflation Factor for FY2013, County Collections Reporting, Local Government Working Group, Oil and Gas Quarterly Distribution Reports, Property Tax Informal Review and Appeals Status, and Entitlement Share Payments. A timestamp 'Last updated 7/1/2012 2:50:05 PM' is visible. A large blue arrow is overlaid on the page, pointing upwards towards the 'Entitlement Share Payments' link. The footer contains additional links: Forms & Resources, Publications, Committees, Privacy & Security, Accessibility, A-Z Index, and Contact Us, along with the 'mt.gov' logo.

mt.gov
Montana's Official State Website

MONTANA DEPARTMENT OF REVENUE

Home | About Us | Individuals | Businesses | Forms & Resources | Publications | Committees

Home » [Committees](#) » Local Government

Local Government

[Local Government Inflation Factor for FY2013](#)
[County Collections Reporting](#)
[Local Government Working Group](#)
[Oil and Gas Quarterly Distribution Reports](#)
[Property Tax Informal Review and Appeals Status](#)
[Entitlement Share Payments](#)

Last updated 7/1/2012 2:50:05 PM

Forms & Resources | Publications | Committees
Privacy & Security | Accessibility | A-Z Index | Contact Us

mt.gov
Montana's Official State Website

Department of Revenue Website (click Entitlement Share payments)



mt.gov
Montana's Official State Website

MONTANA DEPARTMENT OF REVENUE

[Home](#) | [About Us](#) | [Individuals](#) | [Businesses](#) | [Forms & Resources](#) | [Publications](#) | [Committees](#)

[Home](#) » [Committees](#) » Entitlement Share Payments

Entitlement Share Payments

Fiscal Year 2013 Entitlement Share Payments

- [Counties](#)
- [Cities and Towns](#)
- [Consolidated Governments](#)
- [Tax Increment Financing Districts](#)

Fiscal Year 2012 Entitlement Share Payments

- [Counties](#)
- [Cities and Towns](#)
- [Consolidated Governments](#)
- [Tax Increment Financing Districts](#)

Estimate of Class Eight Reimbursement Amount By County (SB37)

- [County \(Includes City\) \(FY 2012 and FY 2013\)](#)
- [Tax Increment Financing Districts \(FY 2012 and FY 2013\)](#)
- [University 6 – Mill \(FY 2012 and FY 2013\)](#)

Last updated 7/19/2012 3:45:30 PM

[About Us](#) | [Individuals](#) | [Businesses](#) | [Forms & Resources](#) | [Publications](#) | [Committees](#)
[Home](#) | [Privacy & Security](#) | [Accessibility](#) | [A-Z Index](#) | [Contact Us](#)

mt.gov
Montana's Official State Website

Montana Department of Revenue

Gallatin County

Estimate of Reimbursement Amount Per SB372
Fiscal Year 2013 - Class 8 and Class 12 Property

Cities and Towns

Taxing Unit Code	Taxing Unit Description	Mills	Reimbursable Taxable Value	Reimbursable Tax
06-BELGRAD	CITY OF BELGRADE	156.69	\$93,040.41	\$14,578.50
06-BOZEMAN	CITY OF BOZEMAN	164.75	\$861,731.60	\$141,970.28
06-MANHATT	CITY OF MANHATTAN	118.41	\$17,131.47	\$2,028.54
06-THRFRK	CITY OF THREE FORKS	152.42	\$10,033.28	\$1,529.27
06-WYLLSTN	CITY OF WEST YELLOWSTONE	88.21	\$76,505.73	\$6,748.57
Subtotal				\$166,855.16

Countywide

Taxing Unit Code	Taxing Unit Description	Mills	Reimbursable Taxable Value	Reimbursable Tax
06-CNTYWID	COUNTY WIDE LEVIES	88.69	\$2,046,736.06	\$181,525.02

Other

Taxing Unit Code	Taxing Unit Description	Mills	Reimbursable Taxable Value	Reimbursable Tax
06-AF	AMSTERDAM FIRE DISTRICT	40.08	\$125,692.53	\$5,037.76
06-BGPC	BELGRADE (CITY) PLANNING DISTRICT	3.03	\$93,040.41	\$281.91
06-BGPR	BELGRADE (RURAL) PLANNING DISTRICT	2.84	\$217,643.21	\$618.11
06-BSF	BIG SKY FIRE DISTRICT	22.82	\$54,398.11	\$1,241.36
06-BZP	BOZEMAN (CITY) PLANNING DISTRICT	2.00	\$861,731.60	\$1,723.46
06-BCF	BRIDGER CANYON FIRE DISTRICT	38.29	\$5,696.34	\$218.11
06-CVF	CENTRAL VALLEY FIRE DISTRICT	53.76	\$362,333.21	\$19,479.03
06-GP	COUNTY WIDE PLANNING DISTRICT	2.40	\$626,176.62	\$1,502.82
06-FC	FAIRVIEW CEMETERY DISTRICT	7.08	\$83,561.70	\$591.62
N/A	GALLATIN COUNTY OPEN SPACE BOND	5.99	\$1,888,255.00	\$11,310.65
06-GGF	GALLATIN GATEWAY FIRE DISTRICT	42.19	\$83,395.85	\$3,518.47
06-GRRF	GALLATIN RIVER RANCH FIRE DISTRICT	121.72	\$69.72	\$8.49
06-HBF	HEBGEN BASIN FIRE DISTRICT	50.10	\$102,164.43	\$5,118.44
06-MF	MANHATTAN FIRE DISTRICT	68.95	\$26,157.94	\$1,803.59
06-MV	MEADOW VIEW CEMETERY DISTRICT	4.67	\$94,988.74	\$443.60
06-MG	MOUNT GREEN CEMETERY DISTRICT	6.91	\$18,506.78	\$127.88
06-RDLIBR	ROAD & LIBRARIES	25.48	\$988,293.58	\$25,181.72
06-SF	SEDAN FIRE DISTRICT	10.00	\$3,906.14	\$39.06
06-SOURF	SOURDOUGH FIRE DISTRICT	38.88	\$13,566.71	\$527.47
06-SMF	STORY MILL FIRE DISTRICT	49.04	\$305.19	\$14.97
06-TF	THREE FORKS FIRE DISTRICT	19.63	\$76,229.77	\$1,496.39
06-MOSQUIT	THREE RIVERS MOSQUITO	8.22	\$87,486.81	\$719.14
06-WF	WILLOW CREEK FIRE DISTRICT	30.00	\$17,328.22	\$519.85
Subtotal				\$81,523.90

County Total				\$429,904.09
--------------	--	--	--	--------------

SB 372

How big is the backfill
payment?

How big is the backfill payment?

- ◎ Reimbursements (annual dollars):
 - FY2012: \$8,946,470 (just strict)
 - FY2013: \$13,672,004 (strict and real)
 - FY2014: about \$15M
 - FY2015: about \$23M (new rate)
- ◎ In FY2015, the reimbursement amounts are added to the entitlement share program and grow at its rate.

SB 372

Questions answered

SB 372: questions answered

⦿ Questions this presentation will address:

- What does SB 372 do? (reduces taxes paid by owners of class 8 property)
- What is class 8 property? (business equipment, not space vehicles)
- How are taxes affected? (max of about \$10k and \$22.5K per taxpayer)
- When does it change? (TY 2012 and upon trigger - est. Jan 2014)
- Who gets a reduction? (Person's owning, in possession, or under control)
- How was it implemented? (rollup / distribution & reimbursement / payment)
- How much does it cost? (FY2013 = \$13+M, FY2015 = \$23+M)
- Where are we in the process? (First step complete, next step = Jan. 2014)

SB 372

SHORT TITLE:
LOWER BUSINESS EQUIPMENT TAX